

## FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI\*WEFA's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the January 2002 to the April 2002 *Idaho Economic Forecast*. The January 2002 Idaho forecast is based on DRI's November 2001 baseline forecast and the April 2002 Idaho forecast is driven by DRI\*WEFA's March 2002 baseline U.S. macroeconomic forecast.

The table following summarizes the differences for several key national and Idaho variables between the current and previous forecast. A review of several national measures show the outlook for the U.S. economy is more optimistic than in the previous forecast. The most familiar barometer of the economy's overall health is real GDP. As the table shows, real GDP is stronger in each year of the forecast. The difference is largest in 2002. This is because the current forecast assumes the recession will not be severe as had been previously projected. Specifically, the current forecast shows real GDP growing 1.6% this year, which is four times as fast as the previous estimate. The prospects for U.S. total nonfarm employment have also improved. In 2002, it is 9,000 lower than previously projected, but by 2005 the current nonfarm employment estimate is nearly 1.3 million higher. U.S. personal income also is consistently higher. Interestingly, despite the stronger economic picture, inflation does not heat up. In fact, the current inflation picture is milder than in the previous forecast.

The outlook for Idaho's economy has improved marginally, despite a noticeable change in the national economy. For example, current Idaho nonfarm employment is stronger in 2002 and 2004, but weaker in 2003 and 2005. To get a clearer picture of what is going on one must wade deeper into the data. A look at just the goods-producing sector shows it has fewer jobs in each year of the forecast. One of the reasons for this is the starting point of the forecast has been lowered. Recent historical data show the previous forecast for goods-producing employment about 1,100 too high in the last quarter of 2001, with nearly 1,000 of this excess in the machinery sector. The situation worsens in 2003 because the U.S. economic recovery is not as steep as had been previously estimated. Idaho services-producing employment does not drop below previously forecasted levels, but there is some softness in 2003. In that year services-producing employment is about 800 higher than in the previous forecast, which is about half its 1,600 margin in 2002. Idaho nominal personal income is higher in each year of the forecast because the average annual wage is stronger in this forecast. This difference reflects a historical revision that raised the starting point of the wage forecast. This increase to nominal income combined with the forecast of lower inflation pushes Idaho real personal income above its previous level.

**IDAHO ECONOMIC FORECAST**  
**FORECASTS COMPARISON**  
**DIFFERENCES BETWEEN**  
**APRIL 2002 AND JANUARY 2002 FORECASTS**

	1999	2000	2001	2002	2003	2004	2005
<b>GDP (BILLIONS)</b>							
Current \$	0	0	0	122	85	74	49
% Difference	0.0%	0.0%	0.0%	1.2%	0.8%	0.6%	0.4%
1996 Chain-Weighted	0	0	9	121	72	68	48
% Difference	0.0%	0.0%	0.1%	1.3%	0.7%	0.7%	0.5%
<b>PERSONAL INCOME - CURR \$</b>							
Idaho (Millions)	0	0	241	596	524	558	452
% Difference	0.0%	0.0%	0.8%	1.8%	1.5%	1.5%	1.1%
U.S. (Billions)	0	0	-12	40	37	50	23
% Difference	0.0%	0.0%	-0.1%	0.4%	0.4%	0.5%	0.2%
<b>PERSONAL INCOME - 1996 \$</b>							
Idaho (Millions)	0	0	247	634	520	545	451
% Difference	0.0%	0.0%	0.8%	2.1%	1.7%	1.7%	1.3%
U.S. (Billions)	0	0	-2	65	51	63	41
% Difference	0.0%	0.0%	0.0%	0.8%	0.6%	0.7%	0.5%
<b>TOTAL NONFARM EMPLOYMENT</b>							
Idaho	1	11	-306	784	-440	596	-101
% Difference	0.0%	0.0%	-0.1%	0.1%	-0.1%	0.1%	0.0%
U.S. (Thousands)	0	0	-23	-9	740	1,215	1,295
% Difference	0.0%	0.0%	0.0%	0.0%	0.6%	0.9%	0.9%
<b>GOODS PRODUCING SECTOR</b>							
Idaho	1	-5	-232	-791	-1,249	-414	-441
% Difference	0.0%	0.0%	-0.2%	-0.7%	-1.1%	-0.4%	-0.4%
U.S. (Thousands)	0	0	57	456	518	513	611
% Difference	0.0%	0.0%	0.2%	1.9%	2.2%	2.1%	2.5%
<b>SERVICE PRODUCING SECTOR</b>							
Idaho	-1	15	-74	1,575	809	1,010	341
% Difference	0.0%	0.0%	0.0%	0.3%	0.2%	0.2%	0.1%
U.S. (Thousands)	0	0	-80	-465	222	702	684
% Difference	0.0%	0.0%	-0.1%	-0.4%	0.2%	0.6%	0.6%
<b>FINANCIAL MARKETS</b>							
Federal Funds Rate	0.0%	0.0%	0.0%	-0.5%	-0.5%	0.0%	0.0%
Bank Prime Rate	0.0%	0.0%	0.0%	-0.5%	-0.5%	0.0%	0.0%
Mort Rate, Existing Homes	0.0%	0.0%	-0.1%	0.4%	-0.5%	-0.8%	-0.8%
<b>INFLATION</b>							
GDP Price Deflator	0.0	0.0	-0.1	-0.2	0.0	-0.1	-0.1
Personal Cons Deflator	0.0	0.0	-0.1	-0.4	-0.2	-0.2	-0.3
Consumer Price Index	-0.1	-0.1	-0.4	-0.5	-0.1	-0.1	-0.2

Forecast Begins the FOURTH Quarter of 2001